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New promise for oil shale

Mind-boggling reserves

October 2, 2005

The importance of discovering a trillion barrels of economically recoverable oil in the lower 48 states cannot be overestimated. Depending on who's counting, that's as much as the world's proven reserves, or several times as much oil as in Saudi Arabia.

And we don't even have to discover it, because we already know exactly where it is: in oil shale formations that underlie more than a thousand square miles in Colorado, Utah and Wyoming. The trick is to get it out, and after decades of research and development, several oil companies think they know how to perform the trick.

We know: You heard this rosy scenario a quarter century ago - until Black Sunday arrived on May 2, 1982, and Exxon shut down its giant Colony shale project on the Western Slope. But the technology is different now. Really. And more environmentally friendly, too, at least by early indications.

Most of the richest oil shale formations are found under land managed by the U.S. Bureau of Land Management. The BLM announced late last month it had received 10 applications for research plots in Rio Blanco County, including three from Shell and one each from ExxonMobil and Chevron. It is supposed to act on the application by February.

Six of the applicants, including those three, plan to use an "*in situ*" process that relies on heating the rock underground until the lighter hydrocarbons liquefy and can be pumped to the surface. Shell has tested the process on a small scale, and believes it is both economically and environmentally feasible. If that's right, company officials say, commercial production could start as soon as 2010.

The last oil-shale boom-and-bust came to grief because the cost of producing oil by the techniques then being used was far higher than the cost of production in the Middle East. But with world demand for oil high, thanks in part to the rapidly growing economies of China and India, demand rather than cost of production is setting world prices for crude oil, now around \$65 a barrel. Shell expects oil from its *in situ* process to cost less than \$30 a barrel.

Part of the research will be dedicated to proving that the process can meet all environmental standards, and that the land can be reclaimed once production on a commercial lease tract is over. That's easier with most of the production taking place far underground than it is with methods that depend on mining the rock, and then crushing and heating it at the surface to extract the oil.

The RAND Corp., not normally a pie-in-the-sky organization, recently released a major report on oil shale, and noted that a single lease tract, 5,760 acres or nine square miles, "may sustain daily production levels beyond 200,000 barrels per day for more than 50 years." RAND foresees full commercial production coming on slowly over 20 or 30 years. But after the last boom-and-bust, sustained prosperity for decades would be welcome.

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